

Professional Actuarial Associations Can Better Support Independent Actuaries

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Help actuaries succeed in the gig economy

I believe that actuaries add value by interpreting model results, combining qualitative and quantitative analysis over long time horizons to make better decisions. The profession is slowly being pushed aside as little more than data analysts. Many actuaries are choosing, or being forced, to enter the “gig” economy, partly as a result of this trend. Assistance from our professional organizations would add great value to members. Some topics that could be addressed include

- Setting up an actuarial practice
- Contract basics
- Benefits
- Professional liability insurance
- Lawsuit protection

Setting up an actuarial practice

When I elected to form a solo practice, I was lucky to have a few months to investigate what I wanted to do next after spending my first 23 years as an actuary at an insurance company. I had lots of contacts, and actuaries already in solo practice were very generous to me. One even had a folder set up from previous meetings with hopeful entrepreneurs! These meetings improved the process, but there is a better way.

There are many issues to consider, and luckily for me someone suggested a book from the Small Business Administration that walks you through the process. It was extremely helpful. Some of the topics to think about are

- Should I set up a legal entity or do business under my own name, and if I choose the legal entity route which of many options should I choose (e.g., LLC, C Corp, S Corp)
- Tax reporting – Schedule C or another route
- Projects – as an individual how do I compete against non-actuaries who don’t have ASOPs that require formal reports and peer review? Our billing rate is higher than competitors and ASOPs, while important, sometimes extends a project without adding value to the client.

Contract basics

Unless you come from a consulting environment most actuaries see few contracts. Certain clauses provide legal protections, and others help to limit miscommunications about scope and pay with clients.

Benefits

Someone working for themselves must figure out how to get health insurance for their family. Individual policies tend to be more expensive, with limited access to providers and discounts. Insurance that protects family (e.g., life, disability) must be purchased as an individual. Perhaps a professional organization could offer a small group policy.

Professional liability insurance

Finding someone who can facilitate these products is not easy, and you never know if the price you are quoted is reasonable. I used to think this was a donation based on the type of work that I do, but unfortunately found out the hard way this is not true.

Lawsuit protection

Independent actuaries don't work for insurers or pension plans directly, yet the professional associations tend to act as if they do. Having them lobby for lawsuit protection (e.g., legislation limiting litigation of scenario planning projects) would be very helpful.

Actuarially I believe...

...that the professional actuarial associations can better support independent actuaries as they compete against large consulting firms and non-actuarial firms of all sizes. Quality is not a problem, but price and documentation are, along with the risk of being sued for nonsensical reasons. The SOA, AAA, ABCD and ASB, among others, can seek out ways to serve this growing part of the membership. A goal of the profession is the expand practice areas to include those acting as personal risk managers and environmental actuaries. A North American Actuarial Council initiative that helps sole practitioners with the basics would facilitate efforts to grow these areas for all actuaries.